

ANNEX GGGG

COMMUNITY DISASTER LOANS

A. PURPOSE

A political subdivision may be unable to perform its normal functions when a major disaster causes substantial loss of tax and other revenues. The Federal Emergency Management Agency (FEMA) makes available to such political subdivisions loans which must be justified on the basis of need and based on the actual and projected expenses as a result of a disaster. This annex describes policies and procedures applicable to Community Disaster Loans authorized by Section 417, PL 93-288, as amended by the "Robert T. Stafford Disaster Relief and Emergency Assistance Act", PL 100-707.

B. CONCEPT OF OPERATIONS

1. A political subdivision may use disaster loans authorized by Section 417 to fund their regular functions or to expand governmental functions to meet needs created by a major disaster. Those experiencing cash flow problems should especially consider submitting applications for community disaster loans.
2. Based on need for financial assistance, Community Disaster Loans are computed from the actual and projected revenue losses resulting from the disaster, plus disaster-related expenses during the year of occurrence and the three succeeding fiscal years. The projected revenue loss must be consistent with Federal damage estimates.
3. Political subdivisions apply to FEMA for loans through the Governor's Authorized Representative.
4. The FEMA Associate Director may approve a loan for the fiscal year the disaster occurred. The term "fiscal year" means the political subdivision's fiscal year. The amount of the loan is based on need, not to exceed 25% of the operating budget of the political subdivision for the fiscal year in which the disaster occurs.
5. The Secretary of the U.S. Treasury determines loan interest rates.
6. The loan period may not exceed three years unless the applicant's request for an extension is approved by the FEMA Associate Director. However, no loan term shall exceed ten years.
7. FEMA may cancel repayment of all or part of a Community Disaster Loan (principal and/or interest) when revenues, during the full three fiscal years following the disaster inadequately meet the political subdivision's operating budget.

8. If the local government's fiscal year is changed during the "full three-year period following the disaster" the actual period will be modified so that the required financial data submitted covers an inclusive 36-month period.
9. Political subdivisions must request cancellation of repayment prior to the loan expiration date. Requests must be accompanied by:
 - a. Annual operating budgets for each fiscal year;
 - b. Financial records (revenue, expenses and a balance sheet for each fiscal year);
 - c. Audit reports for each fiscal year certifying the validity of the operating statements;
 - d. Other financial information in the application for loan cancellation;
 - e. Narrative justification.
10. Community disaster loans (or their cancellation) do affect any grants or other assistance under the Disaster Relief and Emergency Assistance Act, concerning any duplication of benefits.
11. The local government shall use the loaned funds to carry on existing local government functions of a municipal operation character or to meet disaster-related needs.
12. The local government shall submit the financial information required by FEMA in the application for a Community Disaster Loan and in the application for loan cancellation, if submitted, and comply with the assurances on the application, the terms and conditions of the Promissory Note, and these regulations.

C. ELIGIBILITY CRITERIA

1. The local government must be located within the area designated by the Associate Director as being eligible for assistance under a major disaster declaration. In addition State law must not prohibit the local government from incurring the indebtedness resulting from a Federal loan..
2. Criteria considered by FEMA in determining the eligibility of a local government for a Community Disaster Loan include the loss of tax and other revenues as a result of a major disaster, a demonstrated need for financial assistance in order to perform its governmental functions, the maintenance of an annual operating budget, and the responsibility to provide essential municipal operating services to the community.

Eligibility for other assistance under the Act does not, by itself, establish entitlement to such a loan..

3. For loan application purposes, the operating budget is that document or documents approved by an appropriating body, which contains an estimate of proposed expenditures, other than capitol outlays for fixed assets for a stated period of time, and the proposed means of financing the expenditures.
4. For purpose of this loan, unreimbursed expenses of a municipal operating character are those incurred for general government purposes, such as police and fire protection, trash collection, collection of revenues, flood and other hazard insurance, and other expenses normally budgeted for the general fund, as defined by the Municipal Finance Officers Association.
5. Disaster-related expenses do not include expenditures associated with debt service, any major repairs, rebuilding, replacement or reconstruction of public facilities or other capitol projects, intergovernmental services, special assessments, and trust and agency fund operations. Disaster expenses which are eligible for reimbursement under project applications or other Federal Programs are not eligible for loan cancellation.

D. TASK ASSIGNMENTS

State

The Local Government Section of the Department of Tax and Revenue assists the Office of Emergency Services by providing technical assistance and guidance to applicants preparing requests for community disaster loans.

E. REFERENCES

1. PL 93-288, as amended, Section 417 "Community Disaster Loans"
2. Title 44, CFR 206, Subpart K
3. "Disaster Assistance, A Guide to Recovery Programs" FEMA 229(4), 1995

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APPENDIX 1

COMMUNITY DISASTER LOANS
APPLICATION

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APPENDIX 2

COMMUNITY DISASTER LOANS
PROMISSORY NOTE

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APPENDIX 3

COMMUNITY DISASTER LOANS
APPLICATION FOR LOAN CANCELLATION

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